



Federal court won't set electric rates

A federal appeals court in Washington Friday (1/5/01) turned down a request by Southern California Edison to step in and force the Federal Energy Regulatory Commission (FERC) to set the rates the utility must pay for wholesale power. The three-judge panel said Edison had not shown "that its right to this relief is clear and indisputable." The commission opposed the lawsuit saying Edison's request was a band-aid that would not solve the state's electric crisis.

White House to hold meeting on California rates

Representatives of the Clinton administration announced that they were scheduling a meeting on Tuesday (1/9/01) in an effort to resolve the state's energy woes. The meeting, which Governor Gray Davis is expected to attend, will include Energy Secretary Bill Richardson, Gene Sperling, director of the National Economic Council, and FERC Chairman James Hoecker. Also invited to the meeting are officials from Edison and Pacific Gas and Electric. Legislative leaders, including Speaker Robert M. Hertzberg, Senate Pro Tem John Burton, Senate Minority Leader Jim Brulte and Assembly Minority Leader Bill Campbell, also may attend the meeting.

Angelides proposed creating state power authority

California State Treasurer Phil Angelides Friday (1/05/01) proposed selling \$10 billion in state revenue bonds to finance a new state power authority that could build power plants that would sell power and cost at only within the state. It would also assist private power generators would be subject to the same conditions. The authority would have the power of eminent domain so it could buy up existing power plants and bring them under state control. Angelides was quoted as saying "to the extent the private sector can't deliver...we are going to go out and finance, own and operate...the new power supply we need, plus a 15 percent reserve."

Rating firms downgrade utility debt

Major rating firms reclassified PG&E and SoCal Edison bonds to just above "junk" status following a decision by the CPUC to increase the rates California residents pay for electricity. Standard and Poors cut PG&E to "BBB-minus" and SoCal Edison to "A-3" the lowest grades of investment debt. An S&P representative said the two utilities need a mechanism that will guarantee they can recover future costs, not just an increase to recover past costs, before investor confidence will return.

Speaker appoints committee for special session

Assembly Speaker Robert M. Hertzberg has announced the creation of the Committee on Energy Costs and Availability to consider energy-related matters during the Legislature's special session that is running concurrently with its regular session. Assemblymember Rod Wright, chair of the Utilities and Commerce Committee, will also chair the new special session committee. The committee membership will be Assemblymembers Pescetti, Briggs, Campbell, Canciamilla, Diaz, Dickerson, Dutra, Jackson, Keeley, Leonard, Migden, Oropeza, Reyes, Richman, Steinberg, Vargas and Zettel.

Northwest Governors call for energy conservation

Oregon Gov. John Kitzhaber and Washington Gov. Gary Locke urged Northwest businesses and consumers Friday to cut back on electricity use by at least 10 percent for the next two to three months to avoid blackouts. California relies on cheap Northwest hydroelectric power in the summer but exports its power to the Northwest in winter in an annual migration of power across the electric grid.

This year, however, California has demanded more Northwest power at a time when dry weather and declining river levels have reduced hydroelectric generating capacity.

And, without a California winter surplus, Northwest utilities and the system of dams are being strained to the breaking point, they said.

"We are not going to let the chaos of California drag us down," Locke said.

Guidelines for talking about the Energy Crisis

1. **Protect consumers from paying unreasonable, fluctuating rates, now and in the future.** California residents should pay the lowest possible price for power. We have to make sure the lights stay on and the prices low. No one should be allowed to make unreasonable profits at the expense of California utility customers.
2. **Increase power supply.** We have to increase the amount of power that is available for use in California. California residents should not have to worry about blackouts or be the victims of sudden price spikes caused by electric shortages.
3. **Decrease power consumption.** We need to do all we can to reduce our use of electricity. There are many proven programs that can be put in place quickly to reduce consumption, and these deserve our support
4. **Put California back in charge of its energy fate.** California must be in charge of its electrical power system. We can't have our rates at the mercy of out-of-state energy suppliers or officials in Washington.

Editorials and Opinions

"... therein lies his (Davis) great political opportunity. If the governor can bring the sides together and affect a solution acceptable at once to consumers, producers and utilities, he will be seen as a miracle worker who did, in fact, halt the runaway locomotive." —*A.G. Block, San Diego Union - 1-07-2001*

"Peaking plants, essentially jet engines hooked up to electric generators and tied into the grid, are easy to build but quite risky for investors. On a hot summer, they might run for 100 hours or so but during a cool one, not at all. In a deregulated market, these plants need to run to make money..."

"In New York, the Power Authority, set up by Franklin D. Roosevelt to combat price gouging by private utilities in the 1920s, has been asked to build new peaking plants both to assure reliability and to hedge against price spikes next summer. While California does not have a state power agency, the Department of Water Resources, which generates electricity to power the state water project, could develop new peaking resources with the appropriate political support." —*Ed Smeloff, former SMUD Director, Sacramento Bee - 01-07-2001*

"Self-reliance can help in energy crisis....Expect more interest in alternative power sources as utilities charge more for their products. If not the increased cost of gas, then the temporary hike for PG&E should spur the curious as well as the outraged.

"Whether manufacturers of alternative energy systems can build up their inventories with sufficient speed is questionable. Therefore, the sooner ordered, the sooner served." —*Chico Enterprise Record - 1-8-2001*

"...the broader lesson of the (deregulation) debacle: Don't rush into a market solution when there are serious questions about whether the market will work. Both economic analysis and the British experience should have rung warning bells about California's deregulation scheme; but those warnings were ignored—just as similar warnings are being ignored by enthusiasts for market solutions for everything from prescription drug coverage to education." —*Paul Krugman, New York Times - 12-10-2000*

"The rate increase is a short-term and inadequate fix to a long term problem. Quick, courageous and decisive action by federal and state lawmakers and regulators is required if California's lights are going to continue to burn and the state's economy is going to keep humming. It will also require consumer sacrifices." —*Bakersfield Californian - 1-04-2001*

"A workable public power agenda could start with an aggressive conservation and energy efficient program to help bridge the supply-and-demand crunch coming next summer. Add to that a market-oriented agenda beginning with a search-and-destroy mission throughout the government codes filled with barriers to competition. Why is nobody knocking on your door or calling you on the phone to sell you electricity despite rising prices? Because such regulatory barriers make it nearly impossible to compete." —*Fresno Bee - 1-05-2001*

"The reason that the utility industry was regulated in the first place is because it's a natural monopoly, and experience with monopolies indicates that you have to regulate the things. This is one of those deals, like the S&L mess, when you want to go back and check who pushed the ill-advised plan and what promises were made. (More energy! Cheaper rates! Pie in sky!) You would be well-advised not to listen to those same players again." —*Molly Ivins, Star-Telegram*